CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

MANAGEMENT REPORT #09-029

YEAR ENDED DECEMBER 31, 2008

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA	Audit Chief
Shakil Anwar, CPA	Assistant Audit Chief
Harvey Hunter	Auditor

MANAGEMENT REPORT NUMBER
#09-029

TABLE OF CONTENTS

PAGE

CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE
A. G. Kawamura, Secretary

Ms. Beverly Ross, President
Board of Directors
30th DAA, Tehama District Fair
650 Antelope Blvd
Red Bluff, California 96080

In planning and performing our audit of the financial statements of the 30th District Agricultural Association (DAA), Tehama District Fair, Red Bluff, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Tehama District Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 30th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 30th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 30th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 30th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 30th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 30th DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: sponsorship agreements and opportunity purchases. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified an additional area containing a non-reportable condition. The condition is not considered significant weaknesses. We have included this item solely for the benefit of the 30th DAA's management. We suggest the Fair implement the recommendation as soon as practicable. The Fair, however, is not required to provide written responses to recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

SPONSORSHIP AGREEMENTS

The Fair does not have Board-established procedures for entering into sponsorship agreements. According to the Fairs and Expositions (F&E) Contract Manual, based on Food and Agriculture Code Section 4051.1, DAAs should have Board-established procedures for entering into sponsorship agreements, including procedures for securing sponsorships and hiring sponsorship coordinators. This was a prior year finding.

Recommendation

1. *The Fair should establish Board approved procedures for entering into sponsorship agreements as required by the F&E Contract Manual and Food and Agriculture Code.*

OPPORTUNITY PURCHASES

Our office noted that purchase transactions executed by the Fair are generally done as opportunity purchases; however, the Fair failed to document that the price is less than or equal to that available through the state purchasing program as required by F&E and Public Contract Code (PCC). PCC Section 10321 states "that local businesses often provide opportunity purchases to local fairs that, for similar things available through the state purchasing program, may be purchased locally at a price equivalent to or less than that available through the state purchasing program." To claim an opportunity purchase, the Fair must demonstrate that the price obtained is equivalent or less than that available through the State. This was a prior year finding.

Recommendation

2. *The Fair should follow the necessary purchasing procedures when making opportunity purchases, which require documenting that the purchase price is less than or equal to that available through the state purchasing program.*

NON-REPORTABLE CONDITION

ACCOUNTING FOR FIXED ASSETS

The Fair has not completed a physical inventory of State property within the last three years as required. As a result, the property records may not accurately reflect actual fixed assets maintained by the Fair. According to the Accounting Procedures Manual (APM) and State Administrative Manual (SAM), Section 8652, fairs are required to perform an inventory once every three years. This was a prior year finding.

Recommendation

The Fair should conduct a physical inventory of its property at least once every three years as required by the Accounting Procedures Manual and the State Administrative Manual.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

30th DISTRICT AGRICULTURAL ASSOCIATION
P. O. BOX 70
RED BLUFF, CA 96080-0070
Mark O. Eidman, CEO
(530) 527-5920 • Fax (530) 527-1511
www.tehamadistrictfair.com

March 15, 2010

Ron Shackelford, CPA
Chief - Audit Office
Department of Food and Agriculture
1200 N Street - Room 344
Sacramento, CA 95814

Re: Year Ended December 31, 2008 - Audit Response #09-029

Dear Ron:

We have reviewed Audit Report #09-029 of the 30th District Agricultural Association at Red Bluff, California, conducted by your department for the period of January 1, 2008 through December 31, 2008. Each area reflected in the audit report has been addressed along with the action being taken to insure that the 30th DAA conforms with the policies and procedures established by the Fairs Administrative Manual or as adjusted by supplemental letters of instruction as issued from the Division of Fairs and Expositions.

In consistency with the audit findings and recommendations of the report, the 30th DAA's response to the two findings with reportable conditions is as follows:

SPONSORSHIP AGREEMENTS

1. The 30TH DAA will establish Board approved procedures for entering into sponsorship Agreements as required by the F & E Contract Manual and Food and Agriculture Code.

OPPORTUNITY PURCHASES

2. The 30th DAA will establish a Board approved policy for opportunity purchases. The Fair will verify prices quoted are less than or equal to the price quoted through the state purchasing program for all purchases of $4,999.99 or more per Purchasing Authority Manual, Chapter 13, Topic 3. Required documentation will be attached to the invoices.

The 30th DAA will continue to implement these 2009 audit recommendations. With our limited staff and busy schedule we will do our best to comply with the listed recommendations. The 30th DAA declares to have found no discrepancies in this Audit Report #09-029.

Sincerely,

Mark O. Eidman, CEO
Tehama District Fair

Robert K. Kerstiens
President of the Board
Tehama District Fair

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 30th DAA, Tehama District Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between December 7, 2009 and December 18, 2009. My staff met with management on December 18, 2009to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

Ron Shackelford, CPA
Chief, Audit Office

December 18, 2009

REPORT DISTRIBUTION

Number	Recipient
1	President, 30th DAA Board of Directors
1	Chief Executive Officer, 30th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE

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30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-029
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

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30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

TABLE OF CONTENTS

Ms. Beverly Ross, President
Board of Directors
30th DAA, Tehama District Fair
650 Antelope Blvd
Red Bluff, California 96080

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 30th District Agricultural Association (DAA), Tehama District Fair, Red Bluff, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 30th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 30th DAA, Tehama District Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 30th DAA, Tehama District Fair has not presented the Management’s Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-029, on the 30th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 30th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

Ron Shackelford, CPA
Chief, Audit Office

December 18, 2009

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

	Account Number	2008	2007
ASSETS			
Cash & Cash Equivalents	111 - 116	$ 382,650	$ 331,487
Accounts Receivable, Net	131	6,960	45,536
Other Assets	143	8,702	1,439
Construction in Progress	190	129,425	129,425
Land	191	5,000	5,000
Equipment, Net	193	15,645	15,711
Leasehold Improvements, Net	194	1,951,229	2,131,622
TOTAL ASSETS		**2,499,611**	**2,660,220**
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable	212	9,436	7,487
Current Portion of Long Term Debt	212.5	19,818	9,907
Other Payables	221 - 226	931	112
Deferred Income	228	180,171	145,771
Guaranteed Deposit	241	2,180	970
Compensated Absences Liability	245	76,003	74,506
Long Term Debt	250	287,823	307,641
Total Liabilities		**576,362**	**546,394**
Net Resources			
Net Resources - Operations	291	129,591	149,617
Net Resources - Capital Assets, less related debt	291.1	1,793,658	1,964,209
Total Net Resources Available		**1,923,249**	**2,113,826**
TOTAL LIABILITIES AND NET RESOURCES		**$ 2,499,611**	**$ 2,660,220**

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2008 and 2007

	Account Number	2008	2007
REVENUE			
State Allocation	312	$ 150,000	$ 150,000
Capital Project Reimbursements	319	57,000	61,480
Other Revenue	340	3,822	7,562
Admissions	410	83,445	80,092
Commercial Space	415	2,425	3,000
Carnival	421	58,296	52,432
Concessions	422	68,128	56,484
Exhibits	430	11,533	11,319
Horse Show	440	5,005	4,406
Attendance Operations	460	4,969	6,373
Miscellaneous Fair	470	55,693	56,473
Non-Fair Revenue	480	332,130	347,179
Prior Year Adjustment	490	(17,271)	(169,687)
Other Operating Revenue	495	19,626	57,176
Total Revenue		**834,803**	**724,288**
EXPENSES			
Administration	500	323,684	323,641
Maintenance and Operations	520	314,561	306,553
Publicity	540	30,367	33,565
Attendance	560	20,229	18,134
Miscellaneous Fair	570	26,512	20,276
Premiums	580	24,531	24,217
Exhibits	630	30,984	33,287
Horse Show	640	5,474	6,158
Attractions - Fairtime	660	82,546	89,198
Equipment	723	-	1,500
Prior Year Adjustments	800	48,412	(964,592)
Cash Over/Short from Ticket Sales	850	125	110
Depreciation Expense	900	114,131	117,595
Other Capital Expenditures, Reimbursable	945	3,822	-
Total Expenses		**1,025,380**	**9,642**
RESOURCES			
Net Change - Income / (Loss)		(190,577)	714,646
Resources Available, January 1		2,113,826	1,399,180
Resources Available, December 31		**$ 1,923,249**	**$ 2,113,826**

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	$ (190,577)	$ 714,646
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	36,076	(25,115)
(Increase) Decrease in Other Assets	(7,263)	(356)
Increase (Decrease) in Accounts Payable	1,949	(9,273)
Increase (Decrease) in Current Portion of Long Term Debt	9,911	9,907
Increase (Decrease) in Payroll Taxes Payable	819	82
Increase (Decrease) in Deferred Income	36,899	93,530
Increase (Decrease) in Guaranteed Deposits	1,210	(2,801)
Increase (Decrease) in Compensated Absence Liability	1,498	15,571
Total Adjustments	81,099	81,544
Net Cash Provided (Used) by Operating Activities	**(109,478)**	**796,190**
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction-in-Progress	-	442,015
(Increase) Decrease in Buildings & Improvements, Net	180,393	(1,587,156)
(Increase) Decrease in Equipment, Ne	66	388
Net Cash Provided (Used) by Investing Activities	**180,459**	**(1,144,753)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Debt	(19,819)	307,641
Net Cash Provided (Used) by Financing Activities	**(19,819)**	**307,641**
NET INCREASE (DECREASE) IN CASH	**51,163**	**(40,921)**
Cash at Beginning of Year	331,487	372,408
CASH AT END OF YEAR	**$ 382,650**	**$ 331,487**

30th DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The 30th District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Tehama District Fair each year in Red Bluff, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do no conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to $40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than $5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 **NEW ACCOUNTING STANDARDS**

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues,* ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* ("GASB Statement No. 49"). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an "expected cash flows" measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures,* (GASB Statement No. 50"). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits ("OPEB") and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information ("RSI") by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* ("GASB Statement No. 25"), and No. 27, *Accounting for Pensions by State and Local Governmental Employers,* ("GASB Statement No. 27") to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* ("GASB Statement No. 43") and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* ("GASB Statement No. 45"). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* ("GASB Statement No. 51"). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3 **CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the DAA as of December 31:

	2008	2007
Petty Cash	$ 100	$ 100
Cash in Bank - Operating	29,475	(7,404)
Cash in Bank - Investment & Savings	353,075	338,791
Total Cash and Cash Equivalents	$ 382,650	$ 331,487

NOTE 4 **ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	2008	2007
Accounts Receivable	$ 6,960	$ 13,536
Accounts Receivable - CCA	0	32,000
Allowance for Doubtful Accounts	0	0
Accounts Receivable - Net	$ 6,960	$ 45,536

NOTE 5 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	2008	2007
Leasehold Improvements	4,488,425	$ 4,560,211
Less: Accumulated Depreciation	(2,537,196)	(2,428,589)
Leasehold Improvements - Net	$ 1,951,229	$ 2,131,622
Equipment	$ 141,407	$ 123,775
Less: Accumulated Depreciation	(125,762)	(108,064)
Equipment - Net	$ 15,645	$ 15,711

NOTE 6 **LONG-TERM DEBT**

The DAA entered into a long-term loan agreement with California Construction Authority (CCA) to finance the Photovoltaic power-generating project on the fairgrounds. The terms of the agreement are as follows:

CCA Photovoltaic Loan:

Loan Amount	$ 317,549
First Payment Date	July 1, 2008
Payment Amount	$ 1,757
Duration of Loan	192 Months
Interest Rate	Zero, Principle Only
Total Outstanding at 12/31/08	$ 307,641
Current Portion at 12/31/08	$ 19,818
Long-Term Portion at 12/31/08	$ 287,823

NOTE 7 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 8 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

NOTE 9 **LITIGATION**

The DAA is subject to various claims and legal actions relating to a range of matters that are incidental to the conduct of its operations, the DAA's management believes none of which will have a material effect on its financial position or results of operations.

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

REPORT DISTRIBUTION

Number	Recipient
1	President, 30th DAA Board of Directors
1	Chief Executive Officer, 30th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office